

THE VILLAGE OF ALMONT



CITIZEN'S GUIDE TO LOCAL FINANCES 2012

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WELCOME

Greetings.

Welcome to the 2012 Citizen's Guide to Local Finances for the Village of Almont. As a governmental entity, we continually strive to provide a transparent and responsive government operation and are pleased to present this report to you. This report contains information relevant to the Village's revenues, expenditures, unfunded liabilities, and long-term debt obligations. It is our hope that our residents will find this information useful. Questions concerning this guide may be directed to the Village Manager or Clerk/Treasurer at (810) 798-8528.

Council President – Steve Schneider

Council President Pro-Tem – Tim Dyke

Council Member – Rick Lauer

Council Member – Dave Love

Council Member – Gary Peltier

Council Member – Rick Tobias

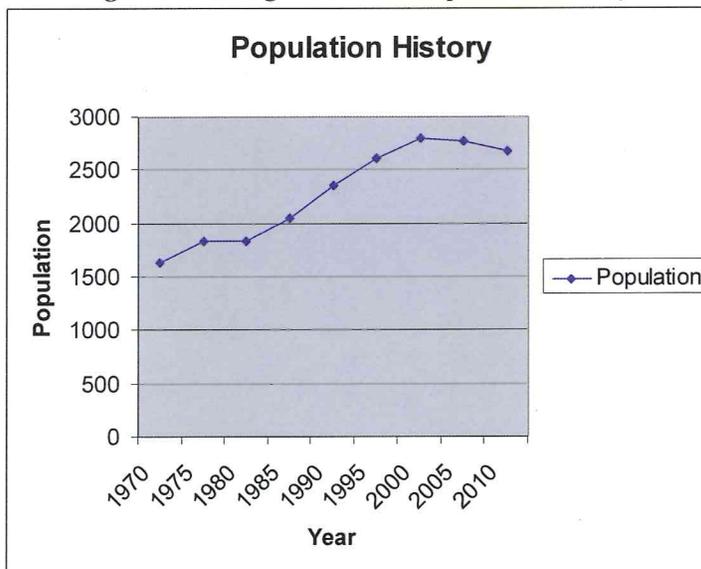
Council Member – Tom Umphenour

BASIC CENSUS DATA INFORMATION FOR THE VILLAGE

Historical Population of the Village

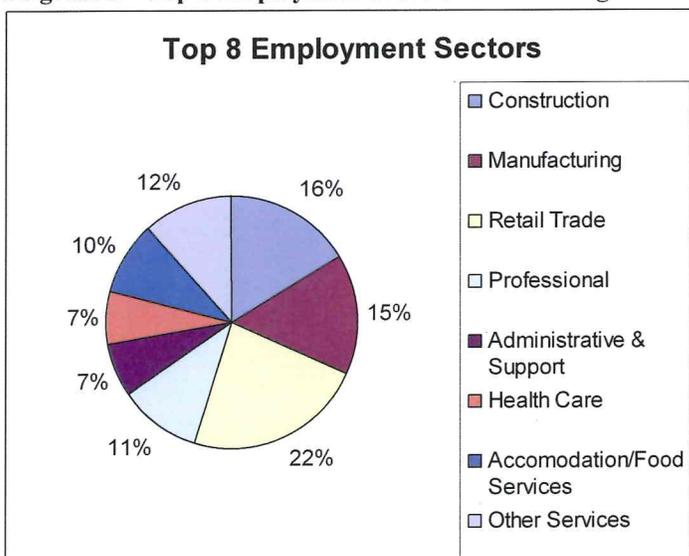
Population within the Village gradually increased between 1970 and 2000 but began to decrease between 2000 and 2010 as a result of the widespread economic stress experienced by the State of Michigan. It is expected that any future growth of the population of the Village would be commensurate with any economic recovery experienced within the State of Michigan.

Diagram 1 – Village of Almont Population History



Employment within the Village

Diagram 2 – Top 8 Employment Sectors for the Village



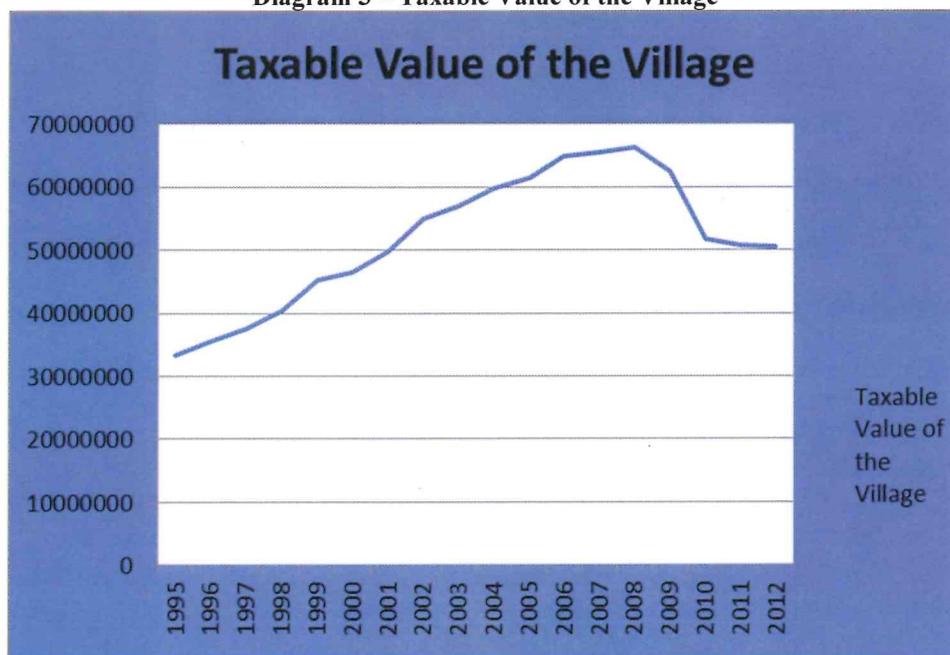
According to the U.S. Census Bureau, the top 8 employment sectors for the Village of Almont in 2010 included construction, manufacturing, retail trade, professional services, administrative and support services, health care services, accommodation and food services, and other services. As the possibility for an improved economic climate increases, the Village of Almont is seeking to further diversify this economic base.

BASIC FINANCIAL INFORMATION OF THE VILLAGE

Taxable Value of the Village

The taxable value of the Village steadily increased between 2000 and 2008 but decreased significantly (23.7%) between 2008 and 2012. This decrease in the taxable value of the Village has caused it to employ fewer full time employees and focus primarily on providing the core services of government rather than expanding its recreation and culture programs or committing local matching funds to state and federal grants. Diagram 3 below displays the taxable value of the Village between 1995 and 2012.

Diagram 3 – Taxable Value of the Village



Established Rates and Fees for the Village

Drinking Water Revolving Fund Millage Rate – This rate produces revenues that are collected in order to pay back the bonds which were issued in 2007 for the construction of the Village’s water tower. The rate is currently 2.48000 mills.

Garbage Collection Fee – This fee produces revenues that are used to pay Richfield Equities for the collection of garbage as well as to provide for the administration of the program. The current garbage collection fee is \$169.68 for every 12 months of service.

General Fund Millage Rate – The current general operating millage rate is 13.5670 mills. This rate produces revenues which are used to finance central municipal operating activities as well as public safety services and administrative services. It represents the largest portion of the Village’s total government funds.

Sanitary Sewage Overflow (SSO) Rate – This rate produces revenues that are collected in order to pay back the bonds which financed the 2002 Wastewater Treatment Plant improvement project. This project resulted in the construction of four (4) 500,000 gallon equalization basins. The current SSO rate is \$1.75 per 1,000 gallons of water used.

Sewer Rate – This rate produces revenues which are collected in order to pay for the operating expenses associated with the sanitary sewer system and the operation of the wastewater treatment plant. The current sewer rate includes a fixed charge of \$27.00 per quarter as well as a consumption charge of \$7.95 per 1,000 gallons.

Water Rate – This rate produces revenues which are collected in order to pay for the operating expenses associated with the delivery of water from the Detroit Water & Sewerage District to the Village of Almont as well as all appropriate costs related to the operation of the water system. The current water rate includes a fixed charge of \$30.00 per quarter as well as a consumption charge of \$5.25 per 1,000 gallons.

Water Supply System Improvement Millage Rate – This rate produces revenues that are collected in order to pay back the bonds which financed the 1996 Water Supply System improvements that strengthened the water system of the Village. The current rate levied for the repayment of these bonds is 1.75500 mills.

SERVICES OFFERED BY THE VILLAGE

The revenues collected from the above mentioned millage rates and fees support several basic services offered by the Village. These services include:

- Police protection and law enforcement services
- Economic development services
- Infrastructure development and maintenance and snow removal
- Refuse collection and curbside recycling
- Brush and leaf pick-up services
- Park facilities, programs, and services
- Water and sewer service delivery

REVENUES

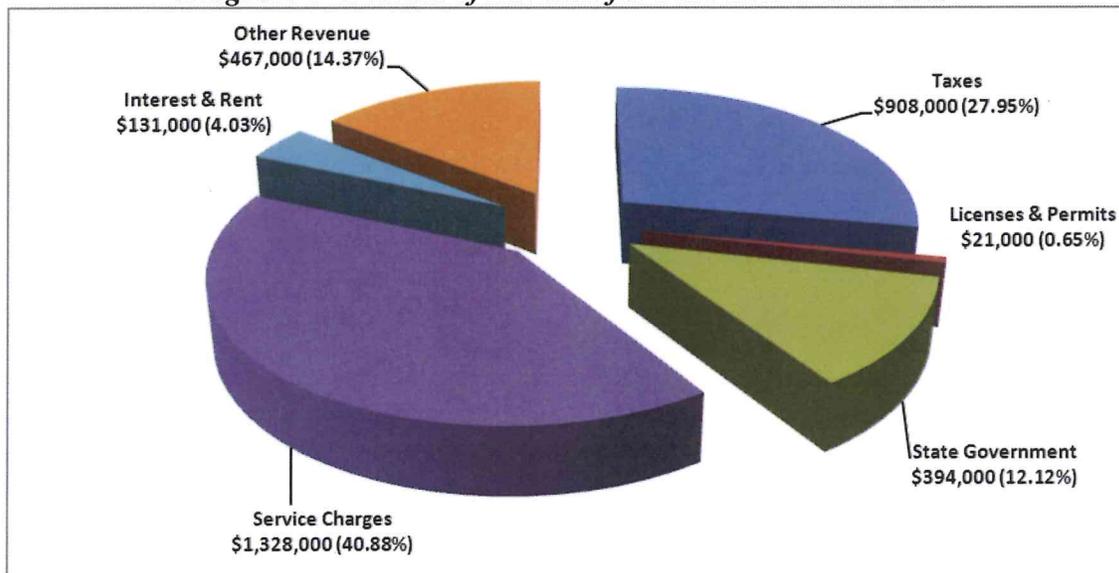
The Village of Almont collects revenues from a wide variety of sources. A summary of these sources is listed below in Table 1. This table displays the revenues collected for the 2008 – 2009 fiscal year, the 2009-2010 fiscal year, and the 2010 – 2011 fiscal year.

Table 1 – Recent Revenue History (Represented in Thousands of Dollars)

	2008 - 2009	2009 - 2010	2010 - 2011	% Change Between FY 09-10 and FY 10-11
Taxes	\$ 946	\$ 874	\$ 908	3.89%
Licenses & permits	21	22	21	-4.54%
from State Govt.	446	405	394	-2.70%
Charges for services	1,284	1,276	1328	4.07%
Fines & forfeitures	7	-	-	N/A
Interest & rent	168	140	131	-6.43%
Other revenue	393	632	467	-26.10%
Total	\$ 3,265	\$ 3,349	\$ 3,249	-2.99%

Table 1 shows that revenues have decreased as the taxable values of the properties within the Village have decreased and state shared revenue funding from the State of Michigan has been gradually decreased. The significant difference between other revenues between FY 08-09 and FY 09-10 resulted from the sale of fixed assets during FY 09-10 for a total amount of \$125,291 [this also explains the decrease between FY 09 – 10 and FY 10 – 11]. Diagram 4 below offers a visual depiction of the revenues collected for the 2010-2011 fiscal year. As will be noted, service charges (which include revenues collected through the Village's police contract with the Village and water and sewer user fees) account for the largest revenue sources of the Village.

Diagram 4 –Sources of Revenue for 2010-2011 Fiscal Year



REVENUE HISTORY

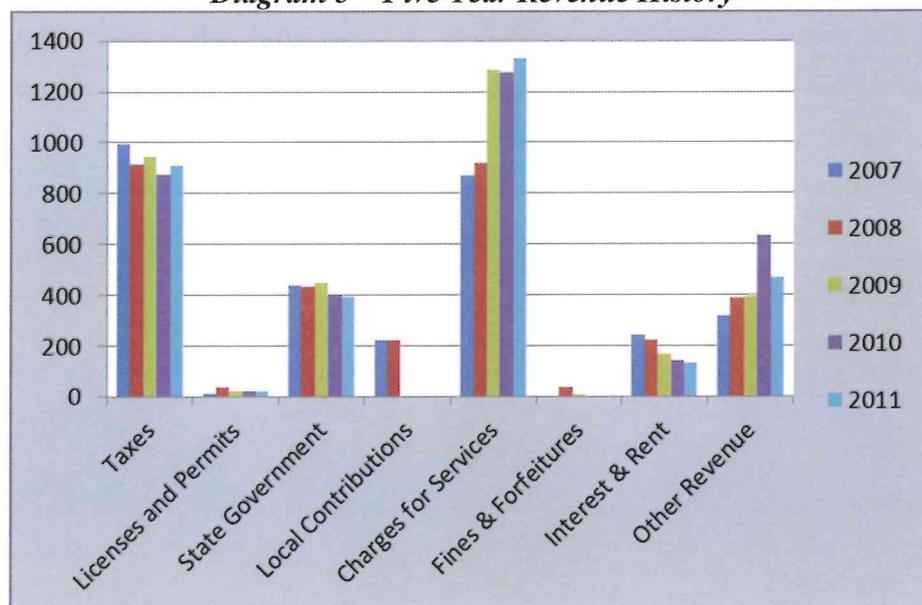
As demonstrated below in Table 2, a number of these revenue sources have gradually diminished over the course of the economic recession, which has affected the amount of revenues collected through property taxes and has placed increasing pressure on the State of Michigan to reduce the amount of funds it distributes to the Village in the form of state shared revenue funding.

Table 2– Five (5) Year Revenue History

	2007	2008	2009	2010	2011
Taxes	\$995	\$912	\$946	\$874	\$908
Licenses & permits	13	39	21	22	21
State Govt.	440	435	446	405	394
Local contributions	221	220	0	0	0
Charges for services	871	918	1284	1276	1328
Fines & Forfeitures	0	36	7	0	0
Interest & Rent	242	221	168	140	131
Other Revenue	319	389	393	632	467
Total	\$3,101	\$3,170	\$3,265	\$3,349	\$3,249

As Table 2 also demonstrates, the amount collected through interest and rent has decreased as the economic climate has diminished the returns available on such investments. The significant decrease in other revenues between 2006 and 2007 stemmed from the fact that there was \$589,434 transferred into Village revenues as a result of the Village constructing its water tower. Diagram 5 offers an alternative depiction of the five year history of Village revenues.

Diagram 5 – Five Year Revenue History



REVENUE ON A PER CAPITA BASIS

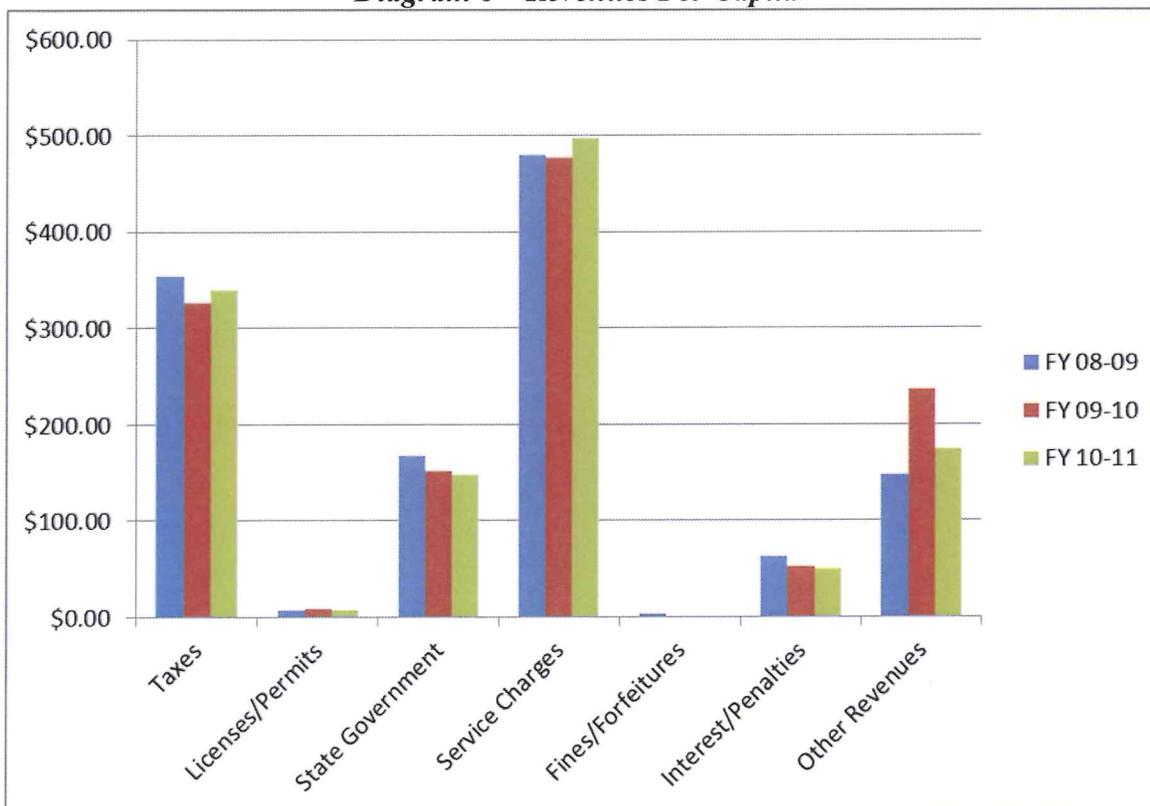
Table 3 analyzes these revenues on a per capita basis. Essentially, this table displays the amount of revenue collected for each specific income source for every individual living within the Village for the 2008-2009, 2009-2010, and 2010 - 2011 fiscal years.

Table 3 – Revenues Collected Per Capita

<u>Revenue Source</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010 - 2011</u>
Taxes	\$353.78	\$326.85	\$339.57
Licenses/Permits	\$7.85	\$8.23	\$7.85
State Government	\$166.79	\$151.46	\$147.34
Service Charges	\$480.18	\$477.19	\$496.63
Fines/Forfeitures	\$2.62	\$0.00	\$0.00
Interest/Penalties	\$62.83	\$52.36	\$48.99
Other Revenues	\$146.97	\$236.35	\$174.64

Diagram 6 offers an alternative depiction of the per capita revenue collection for the Village of Almont and the changes in collection for the 2008-2009, 2009- 2010, and 2010 – 2011 fiscal years.

Diagram 6 – Revenues Per Capita



DIRECTION OF REVENUES INTO MUNICIPAL FUNDS

Upon collection, these revenues are directed toward several different funds which finance various and distinct functions of the Village government and in some cases are restricted for legislatively specified uses. Table 4 below displays each of these funds as well as relevant financial data pertaining to each fund:

***Table 4 – Financial Position of Each Fund
(Includes Governmental, Debt Service, and Enterprise Funds)***

Fund	Fund Balance (7/1/2011)	Audited Income	Audited Expenses	Primary Sources of Revenue
General	\$58,470	\$1,423,024	\$1,493,506	Property Taxes, Police Contract, Garbage Collection Fees
Major Streets	\$51,973	\$114,068	\$110,229	State Road Funding
Local Streets	\$157,722	\$94,770	\$133,761	State Road Funding
Water Tower Debt Service	\$31,032	\$115,396	\$125,485	Property Taxes
Water System Improvement Debt Service	\$26,365	\$102,504	\$84,410	Property Taxes
WWTP Improvement Debt Service	\$84,590	\$124,725	\$124,354	SSO Charges
Sewer Fund	\$74,166	\$445,938	\$550,565	User Fees
Water Fund	\$8,985	\$303,751	\$346,156	User Fees
Equipment Fund (Internal Service Fund)	\$185,825	\$108,139	\$130,666	Internal Service Charges

EXPENDITURES

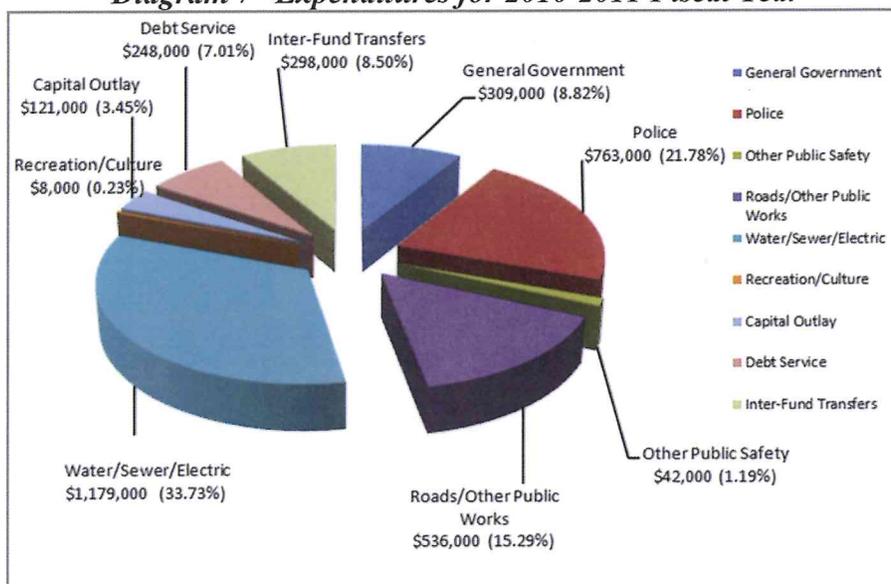
Revenues are collected in order to fund a wide variety of activities performed by the Village. A summary of these expenses is listed below in Table 5, which displays expenses incurred in the 2008-2009, 2009-2010, and 2010 - 2011 fiscal years.

Table 5 – Recent Expenditure History (Represented in Thousands of Dollars)

	2009	2010	2011	% Change Between 2010 and 2011
General government	\$340	\$283	\$309	9.18%
Police	746	753	763	1.32%
Other public safety	19	27	42	55.55%
Roads/Other Public Works	604	556	536	-3.60%
Water/Sewer/Electric	1172	1185	1179	-0.51%
Recreation & culture	10	12	8	-33.3%
Capital outlay	101	129	121	-6.29%
Debt service	349	263	248	-5.70%
Inter-fund transfers (net)	206	387	298	-22.99%
Total Expenditures	\$3,547	\$3,595	\$3,504	-2.53%

The large difference between general government expenditures between 2009 and 2010 resulted from the Village purchasing generators for its lift stations in 2009. Inter-fund transfers represent monies that are designated from one fund to cover expenses in another fund. For example, the Village contributed \$21,073 during 2010 and 2011 from its general fund for its municipal building debt service fund. Diagram 7 offers a visual depiction of the expenses incurred by the Village during the 2010-2011 fiscal year and offers an aid by which residents can judge the proportion of revenues used proportionally.

Diagram 7 – Expenditures for 2010-2011 Fiscal Year



EXPENDITURE HISTORY

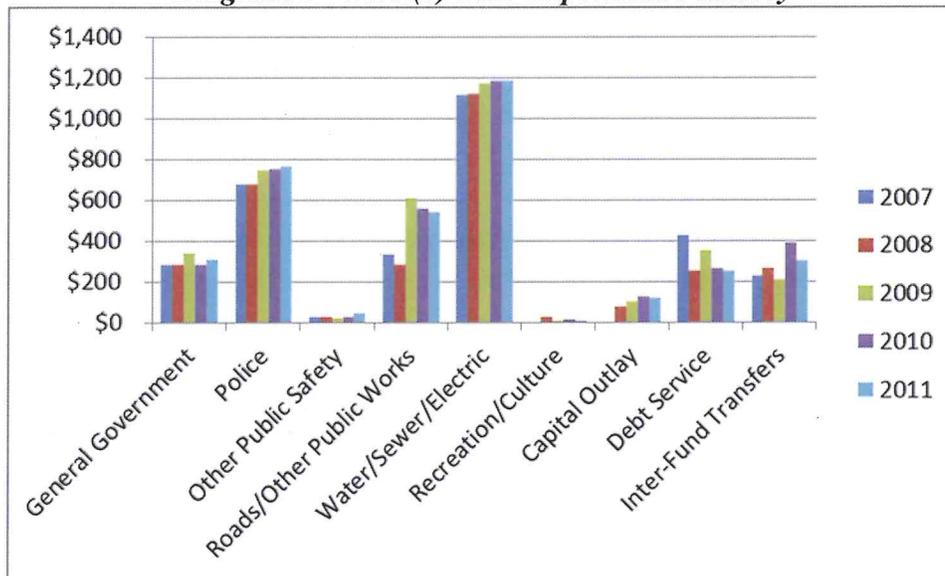
As demonstrated below in Table 6, total expenditures have largely decreased throughout the past two years, with the exception of police expenditures (the increase of which had been covered through a public safety grant).

Table 6 – Five (5) Year Expenditure History

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	\$283	\$280	\$340	\$283	\$309
Police	674	676	746	753	763
Other public safety	27	25	19	27	42
Roads	330	285	604	556	536
Other public works	1116	1119	1172	1185	1179
Health & welfare	0	0	0	0	0
Community development	9	0	0	0	0
Recreation & culture	0	23	10	12	8
Capital outlay	0	75	101	129	121
Debt service	424	252	349	263	248
Net Inter-fund transfers	<u>227</u>	<u>263</u>	<u>206</u>	<u>387</u>	<u>298</u>
Total Expenditures	\$3,090	\$2,998	\$3,547	\$3,595	\$3,504

Diagram 8, displayed below, offers an alternative depiction of these expenditures.

Diagram 8 – Five (5) Year Expenditure History



EXPENDITURES ON A PER CAPITA BASIS

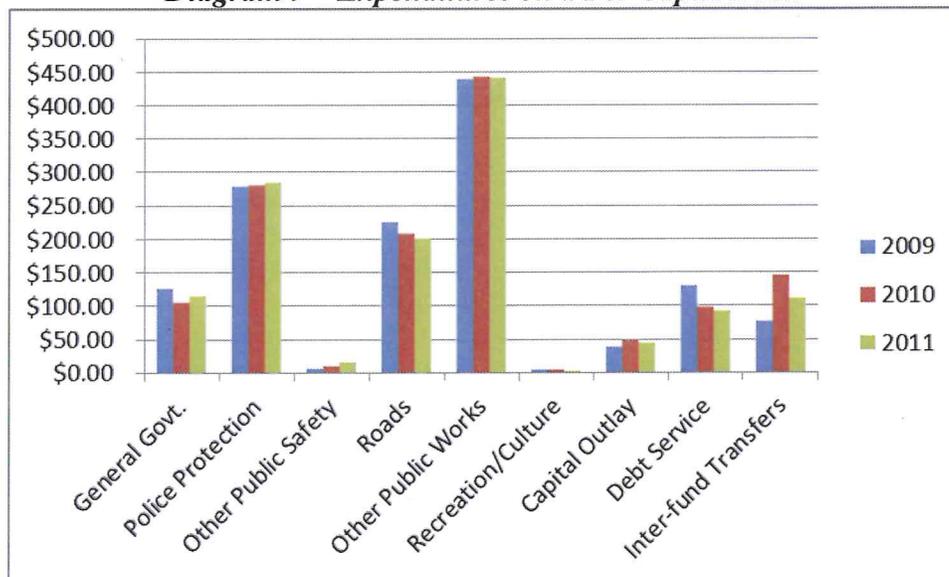
Table 7 analyzes these expenditures on a per capita basis. Essentially, this table displays the expenses incurred for each major operating category for every individual living within the Village for the 2008-2009, 2009-2010, and 2010-2011 fiscal years.

Table 7 – Expenses Incurred Per Capita

Category	2008-2009	2009-2010	2010-2011
General Govt.	\$127.15	\$105.83	\$115.58
Police Protection	\$278.98	\$281.60	\$285.34
Other Public Safety	\$7.11	\$10.10	\$15.71
Roads	\$225.88	\$207.93	\$200.45
Other Public Works	\$438.29	\$443.16	\$440.91
Recreation/Culture	\$3.74	\$4.49	\$2.99
Capital Outlay	\$37.77	\$48.24	\$45.25
Debt Service	\$130.52	\$98.35	\$92.74
Inter-fund Transfers	\$77.04	\$144.73	\$111.44

Diagram 9 offers an alternative depiction of expenditures on a per capita basis for the Village of Almont.

Diagram 9 – Expenditures on a Per Capita Basis



OPERATING SURPLUSES/SHORTFALLS AND TOTAL FUND BALANCES

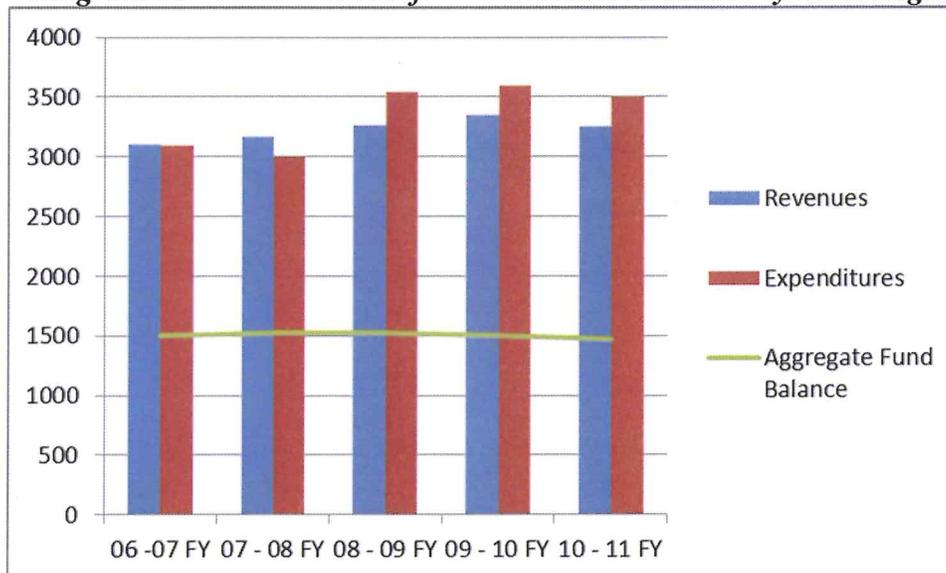
Listed below in Table 8 is an overall summary of the operating shortfalls from the 2008-2009, 2009-2010, and 2010 - 2011 fiscal years. The majority of these operating shortfalls for the 2009-2010 fiscal year occurred in the Village general fund (-\$166,902), and the water and sewer funds (-\$62,195).

Table 8 – Year to Year Comparison of Overall Fund Balance

	2009	2010	2011	% change Between 2010 and 2011
Revenue	3,265	3,349	3,249	-2.99%
Expenditures	3,547	3,595	3,504	-2.53%
Surplus (shortfall)	(282)	(246)	(255)	3.66%

In managing local finances, it is critical for the Village to maintain an appropriate “fund balance”. This fund balance represents a type of reserve of assets that can be drawn upon to defray operating shortfalls. In order to prevent future shortfalls from placing the Village in a situation in which it incurs debt and puts itself at risk for the appointment of an emergency financial manager, the Village Council recently increased the general operating millage rate from 12.5670 mills to 13.5670 mills in 2011 and increased both the water and sewer rates. These increases will assure that the Village meets its financial obligations to investors who have financed capital infrastructure projects while continuing to provide seamless police protection and public works services. The black line that runs across Diagram 10, displayed below, indicates the fund balance for all of the funds maintained by the Village of Almont.

Diagram 10 – Fund Balance for All Funds Maintained by the Village



MERS PENSION FUNDING

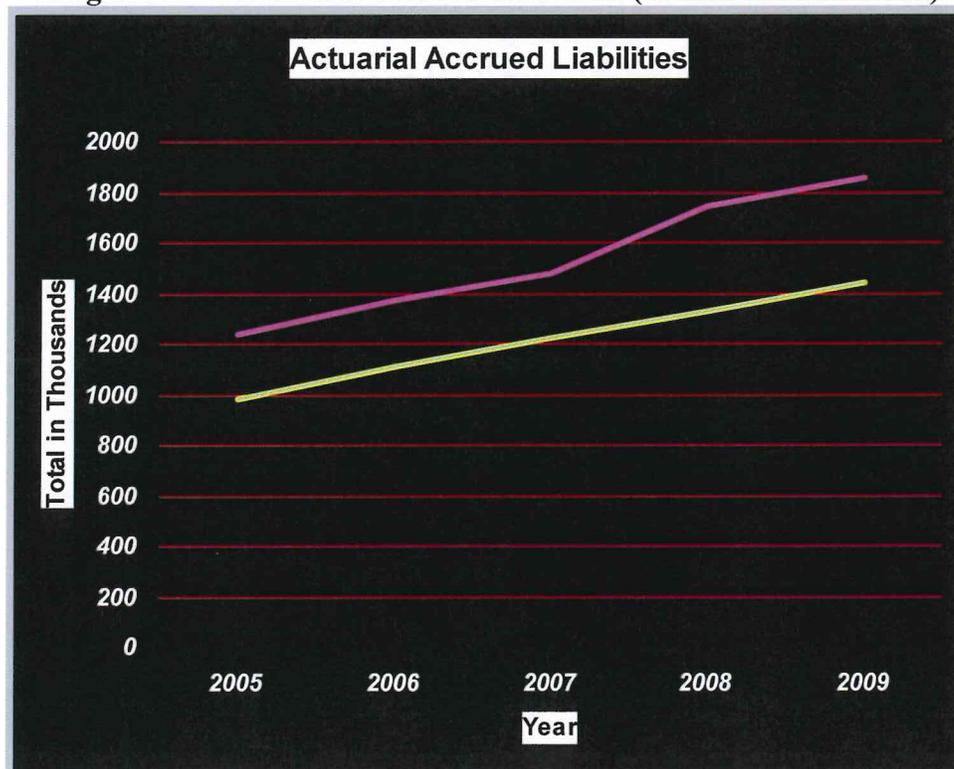
The Municipal Employee's Retirement System (MERS) maintains the Village's pension plans for its employees. Table 9 represents the comparative schedule of the actuarial accrued liabilities for the MERS-administered plan. As shown this plan is 78% funded (\$1,445,000) and 22% unfunded (\$410,000). These numbers are current as of 12/31/2009 [a new plan has not been released to the Village since that time].

Table 9 – MERS Pension Plan

Pensions					
Date of actuarial valuation:	12/05	12/06	12/07	12/08	12/09
Assets	984	1,108	1,223	1,330	1,445
Actuarial Liability	1,234	1,371	1,477	1,747	1,855
Unfunded (Overfunded)	250	263	254	417	410
Percent funded	80%	81%	83%	76%	78%

Diagram 11 below offers a visual depiction of these liabilities and assets. The purple line denotes the entirety of the actuarial liability. The green line denotes the current valuation of assets. The space in between the two lines represents the unfunded liability.

Diagram 11 – Actuarial Accrued Liabilities (MERS-Administered)



OPEB (OTHER POST-EMPLOYMENT BENEFITS) FUNDING

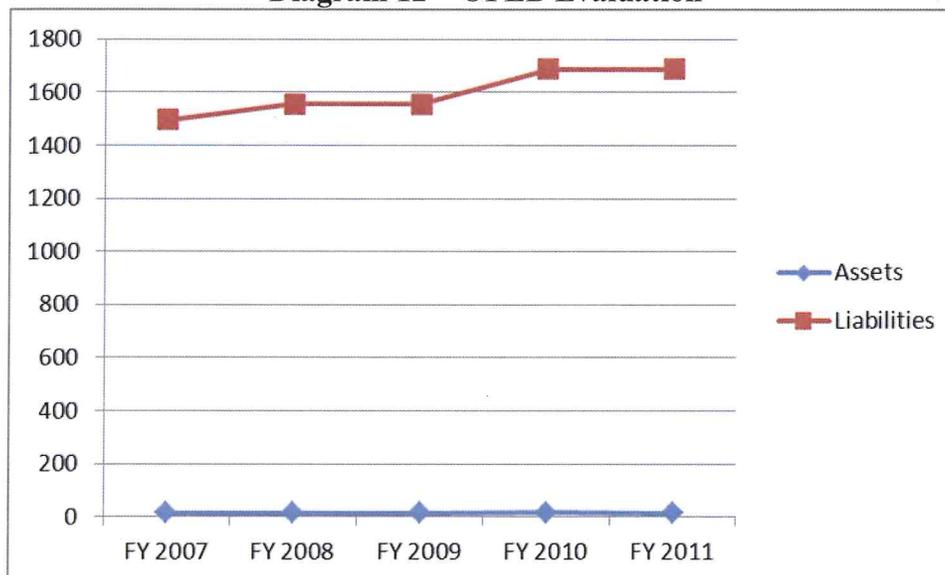
Village employees who obtain 30 years of service are eligible to receive certain retiree health care benefits. Currently, the Village is in the process of ascertaining how it can best plan for these expenses, particularly as a larger number of employees approach retirement age. At the present time, however, the Village has currently been funding retiree health care expenses out of its general fund.

Table 10 – OPEB Assets and Liabilities

OPEB (Other Post Employment Benefits)						
	12/07	12/08	12/09	12/10	12/11	
Assets	14	14	15	16	15	
Actuarial Liability	1,495	1,555	1,555	1,687	1,687	
Unfunded (Overfunded)	1,481	1,541	1,540	1,671	1,672	
Percent funded	0.94%	0.99%	0.99%	0.99%	0.99%	

Diagram 12 below offers a visual depiction of these liabilities and assets. The red line denotes the present value of the OPEB obligations. The blue line denotes the current valuation of assets. The space in between the two lines represents the unfunded liability.

Diagram 12 – OPEB Evaluation



BONDED INDEBTEDNESS AND CONTRACTS OF THE VILLAGE

Due to the need for the Village to maintain high-quality services for its water and sewer operations and to invest in the critical infrastructure of the Village, it is occasionally necessary to incur debt that must be repaid over an extended period of time.

Listed below in Table 12 are the general obligation bonds and contracts for which the Village is liable:

Table 12 – Current Bonds and Contracts of the Village of Almont

Bond/Contract	Year of Issuance	Year of Last Payment	Total Principal Outstanding	Total Interest Payable
Water Supply System Improvement Bond	1996	2015	\$310,000	\$38,665
Water Tower Project Bond	2007	2028	\$1,777,694	\$343,229
WWTP Improvement Project Bond	2002	2022	\$1,180,000	\$242,453
East. St. Clair Lift Station Upgrade	2011	2024	\$465,000	\$138,160
DDA Pocket Park Contract	2004	2014	\$64,511	\$4,726
<u>Accumulated Totals</u>			<u>\$3,797,205</u>	<u>\$767,223</u>

In analyzing these long-term bonds and contracts, it should be noted that the per capita liability for the total principal outstanding on these bonds is approximately \$1420.05. Table 13 below lists the 6 year history of the Village's bond and contract obligations.

Table 13 – Total Bond and Contract Obligations

<i>Year</i>	<i>Total Obligations</i>
<i>2012</i>	<i>\$3,797,205</i>
<i>2011</i>	<i>\$3,837,694</i>
<i>2010</i>	<i>\$4,107,413</i>
<i>2009</i>	<i>\$4,351,456</i>
<i>2008</i>	<i>\$4,107,795</i>
<i>2007</i>	<i>\$2,665,684</i>

From an investment standpoint, the Village of Almont has always faithfully honored its obligations to its bond holders and has issued full and timely payments.

DEBT BURDEN PER CAPITA

Diagram 14 below displays the basic debt burden per capita, based upon the Village's annual bonded indebtedness and obligations.

Diagram 14 – Debt Burden Per Capita

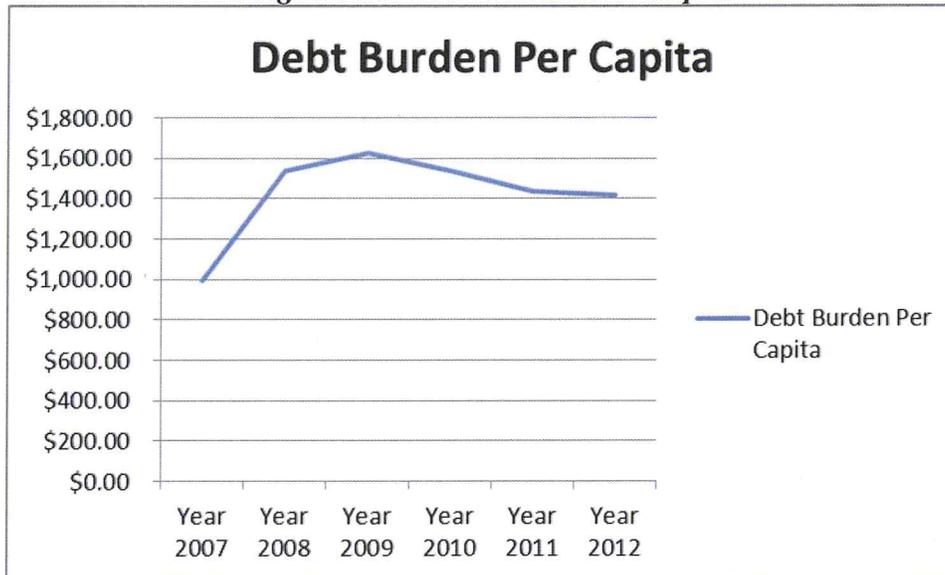


Table 14 below offers a more detailed examination of the annual debt burden per capita for 2007 – 2011.

Table 14 – Debt Burden per Capita

<i>Year</i>	<i>Total Obligations</i>
<i>2012</i>	<i>\$1,420.05</i>
<i>2011</i>	<i>\$1,435.19</i>
<i>2010</i>	<i>\$1,536.05</i>
<i>2009</i>	<i>\$1,627.32</i>
<i>2008</i>	<i>\$1,536.20</i>
<i>2007</i>	<i>\$996.89</i>

It should be noted that the large jump between 2007 and 2008 was due to the issuance of bonds to finance the construction of the Village's new water tower.

SOURCES AND REFERENCES

Village of Almont – Annual Audits (2006-2011) – Prepared by Lehn L. King (CPA)

U.S. Census Bureau